

Message Text

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TO SECSTATE WASHDC 6237

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AMCONSUL MILAN

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TAGS: EFIN, IT

SUBJ: GOI ADAPTS NEW PRICE CONTROL MECHANISM

PASS AGRICULTURE AND TREASURY

REF: (A) ROME 7376 OF JULY 25, 1973

(B) ROME A-644 OF NOVEMBER 9, 1973

1. /SUMMARY/. GOI IN JULY 1973 ADOPTED 90-DAY PRICE FREEZE ON 21 LARGE CONSUMPTION ITEMS AND ON WIDE VARIETY OF INDUSTRIAL GOODS PRODUCED AND DISTRIBUTED BY LARGE FIRMS (SEE REFTEL). THIS WAS FOLLOWED BY SYSTEM OF PRIOR APPROVALS FOR PRICE INCREASES FOR PERIOD ENDING JUNE 30, 1974 FOR INDUSTRIAL GOODS AND JULY 31, 1974 FOR 21 ITEMS (SEE REFAIR). WITH EXPIRATION OF 1973 CONTROLS GOI HAS NOW ADOPTED NEW SELECTIVE PRICE FREEZE ON CERTAIN LARGE CONSUMPTION FOOD ITEMS PLUS GENERAL SURVEILLANCE OF SOME ADDITIONAL ITEMS. ALL OTHER PRICES ARE NOW DECONTROLLED. /END/

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/SUMMARY/.

2. FOLLOWING SERIES OF MEETINGS OF CIPE (INTERMINISTERIAL COMMITTEE FOR ECONOMIC PROGRAMMING) DURING PAST TWO WEEKS, INTERMINISTERIAL PRICE COMMITTEE (CIP) CHARGED WITH IMPLEMENTING PRICE CONTROL DIRECTIVES OF CIPE HAS NOW OUTLINED FOLLOWING NEW SELECTIVE PRICE CONTROL PROGRAM EFFECTIVE AUGUST 1: 21 LARGE CONSUMPTION ITEMS (MAINLY FOOD) AND SELECTED INDUSTRIAL PRODUCTS FORMERLY SUBJECT TO PRICE CONTROL HAVE BEEN REDUCED IN NUMBER TO THE FOLLOWING LARGE CONSUMPTION FOOD ITEMS: CERTAIN TYPES OF BREAD, OLIVE OIL, OIL FROM OTHER OILSEEDS, HUSKS OF OLIVES, FRESH BEEF, OTHER FROZEN IMPORTED MEATS, CERTAIN TYPES OF DRY PASTA, WHOLE PASTEURIZED OR HOMOGENIZED MILK FOR FOOD USE, SALT AND SUGAR. CIP, TOGETHER WITH PROVINCIAL AUTHORITIES, WILL ESTABLISH PRICES FOR ABOVE-MENTIONED FOOD ITEMS. IN THIS REGARD, ROME PROVINCIAL AUTHORITIES, WITH APPROVAL OF CIP, RECENTLY PROPOSED RAISING PRICE OF MILK PRODUCED AND SOLD IN ROME PROVINCE FROM 160 LIRE TO 250 LIRE PER LITER. CIP RECENTLY ANNOUNCED THAT DETERGENTS WILL BE SUBJECT TO BOTH PRICE AND QUALITY CONTROL IN THAT A SINGLE DETERGENT PRODUCT WILL BE PRODUCED ACCORDING TO SPECIFIED STANDARDS. SUCH PRODUCT MUST NOT CONTAIN ADDITIVES WHICH ARE THE OBJECT OF NON-PRICE COMPETITION (I.E., ADVERTISING) AND WHICH PRESUMABLY ARE CONSIDERED NON-ESSENTIAL TO DETERGENT PRODUCT BUT WHICH UNDULY INFLUENCE PRICE OF PRODUCT.

3. IN ADDITION TO CONTROLLING PRICES ON ABOVE-MENTIONED ITEMS, CIP AND PROVINCIAL AUTHORITIES WILL UNDERTAKE PRICE "SURVEILLANCE" OF FOLLOWING FOOD ITEMS: CERTAIN TYPES OF DRY PASTA; HIGH-QUALITY OLIVE OIL AND UNBLENDED OIL FROM OTHER OILSEEDS; CERTAIN DAIRY PRODUCTS INCLUDING CHEESES AND SPECIAL TYPES OF MILK PRODUCTS; PORK, LAMB, HORSEMEAT, POULTRY, RABBIT, SAUSAGES, CURED HAM AND RELATED LARGE-CONSUMPTION MEAT ITEMS; AND CERTAIN CANNED AND FROZEN PRODUCTS--IN PARTICULAR MEAT, FISH AND TOMATO PRODUCTS.

4. IN ADDITION TO APPLICATION OF PRICE CONTROLS AND PRICE SURVEILLANCE TO ITEMS MENTIONED PARAS 2 AND 3 ABOVE, CIPE HAS INSTRUCTED CIP TO UNDERTAKE CONSULTATIONS, TOGETHER WITH MINISTRY OF BUDGET, WITH LARGE FIRMS AND COOPERATIVES WITH A VIEW TO ESTABLISHING APPROPRIATE CRITERIA AIMED AT CONTAINING PRICES OF

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LARGE CONSUMPTION ITEMS IN GENERAL.

5. COMMENT. IN APPLYING PRICE CONTROLS TO REDUCED NUMBER OF LARGE-CONSUMPTION ITEMS, GOI APPEARS TO HAVE TAILORED CONTROLS TO ITEMS WHICH FIGURE PRIMINENTLY IN CALCULATION OF COST-OF-LIVING INDEX, WHILE TAKING MORE PRAGMATIC APPROACH TO OTHER ITEMS FORMERLY SUBJECT TO CONTROL. NEW PROPOSALS TO UNDERTAKE "SURVEILLANCE" OF PRICES OF CERTAIN FOOD ITEMS AND TO UNDERTAKE

"CONSULTATIONS" WITH LARGE DISTRIBUTORS OF INDUSTRIAL GOODS
SUGGEST GOI ADMISSION THAT FORMER ATTEMPTS TO CONTROL PROCES
DIRECTLY AND TO MODIFY PRICES ON BASIS OF CASE-BY-CASE INDUSTRY
PRESENTATION BEFORE CIP HAD PROVED ADMINISTRATIVELY BURDENSOME.
IN JUNE 1974, COMPARED WITH JUNE 1973, CONSUMER PRICE INDEX
WAS UP BY 6.8 PERCENT, FOOD PRICE INDEX ALONE BY 13.7 PERCENT
AND OVERALL COST-OF-LIVING INDEX BY 17.1 PERCENT, WHILE WHOLESALE
PRICE INDEX IN MAY 1974 HAD RISEN 42.6 PERCENT OVER MAY 1973.
GIVEN SUCH PRICE PRERFORMANCE IN ITALY OVER PAST YEAR, IT
REMAINS TO BE SEEN WHETHER NEW PRICE CONTROL MECHANISM WILL
OBTAIN BETTER RESULTS THAN THAT PREVIOUSLY IN FORCE.VOLPE

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